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C O N F I D E N T I A L SECTION 01 OF 03 HANOI 001094

SIPDIS

EAP/MLS BLACKSHAW, EAP/CM CARTIN, S/P GREEN

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TAGS: PREL PGOV PHUM ECON CH VM

SUBJECT: DESPITE POPULAR RESENTMENT, VIETNAM'S CHINA POLICY
MARKED BY PRAGMATISM, CAUTION, AND MODEST GAINS

REF: A. HANOI 1039

1B. HANOI 1042
1C. HANOI 1044
1D. HANOI 1045
1E. HANOI 1056
1F. HANOI 1071

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Classified By: DCM VIRGINIA PALMER. REASONS 1.4 (B/D)

11. (C) SUMMARY: Hostility toward China remains a powerful, if latent, force in Vietnamese society, fed by historical animosities and simmering resentment over what is widely viewed as Chinese bullying on South China Sea territorial disputes. Yet despite a pervasive undercurrent of anti-Chinese sentiment, Vietnam's China policy remains grounded in pragmatism. Economics largely drives the agenda, but there have been diplomatic gains as well. The two sides regularly exchange high-level visitors and have made substantial progress in demarcating their land border. Still, there are constraints, and as recent efforts to prevent anti-China demonstrations suggest, the party recognizes that popular ill will -- though initially directed at China -- could easily turn in a less welcome direction. A strategic preoccupation with China will continue to temper Vietnam's willingness to fully engage with the United States. END SUMMARY.

12. (C) A note on sources: This cable is drawn from conversations September 9-19 with the MFA and Chinese Embassy, as well as a range of Embassy contacts including Institute of Chinese Studies Director Do Tien Sam, Vietnam Union of Friendship Organizations Vice President Ambassador Tran Trong Khanh, InvestConsult Chairman Tran Bat, retired "People's Army" Editor Colonel Tran Nhun, and dissident writer and former Party member Dr. Pham Hong Son. (Please protect all.)

A "COMPREHENSIVE STRATEGIC PARTNERSHIP"

13. (SBU) Vietnam, like China, places great emphasis on joint declarations, and MFA and Chinese Embassy officials insist the decision to characterize Hanoi's relationship with Beijing as a "Comprehensive Strategic Partnership" at the conclusion of CPV General Secretary Nong Duc Manh's June visit to Beijing marks a significant upgrading

of ties. The Vietnam-China relationship is on a much better footing than it was even two-three years ago, Nguyen Thanh Hai of the MFA's Office of China Affairs and Chinese Political Counselor Lu Lei affirmed in separate meetings. As evidence of this, both sides pointed to an acceleration of high-level government and Party meetings, including Manh's summit in Beijing, the September 6-12 visit to Vietnam of Guangdong Party Secretary and Politburo member Wang Yang, and the upcoming visit to Beijing by PM Dung, scheduled for the end of the year. Both the MFA and Chinese Embassy cited as specific deliverables progress on demarcating the land border and agreement to establish a hot line, as well as cooperation on "less sensitive" matters such as disaster relief, typhoon and tsunami forecasting, and search and rescue. (Note: Pressed for details on the hotline, Hai conceded that this was agreement in principle, with "technical details" to be worked out later. End note.)

¶4. (SBU) Improvements in Vietnam-China relations have been driven primarily by shared domestic challenges, rather than geo-strategy, according to Do Tien Sam, the Director of the Institute of Chinese Studies (ICS) at the state-affiliated Vietnamese Academy of Social Sciences. Vietnam and China have comparable political systems and are trying to balance continued economic reform -- including efforts to restrain spending on state-run enterprises -- with the need to sustain the Party's authority, Sam explained. But the main impetus for better relations increasingly is economics, with the MFA citing increasing trade and investment as one of two main goals for PM Dung's visit to China. Embassy sources both in and outside government pointed to the large business delegation that accompanied the Guangdong Party Secretary as proof of the increased attention given to

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economic issues. (Note: Wang's delegation signed deals totaling more than USD 2.5 billion, according to press reports. End note.)

PROGRESS ON BORDER DEMARCATON...

¶5. (SBU) The other primary goal of PM Dung's visit will be to sign an accord finalizing the demarcation of Vietnam's 1,350 kilometer land border with China. According to MFA officials involved in the negotiations, the two sides have reached agreement on all but four percent of the border, with the remainder a matter of technical verification. Having come to terms on the sea boundary within the Gulf of Tonkin, Vietnam and China are now beginning discussions on the maritime boundaries outside the Gulf, along the coast between Quang Binh and Da Nang. In a rare television interview, Vietnam's lead negotiator VFM Vu Dung cited his most recent round of negotiations with Chinese VFM Wu Dawei August 23-25 as a major step forward, sentiments echoed in conversations with the Chinese Embassy and MFA's China Desk.

...BUT STALEMATE, SUSPICION ON SOUTH CHINA SEA

¶6. (C) Asked about long-standing territorial disputes in the South China Sea -- called the East Sea by the Vietnamese -- VFM Vu acknowledged that the two sides remained at loggerheads and reasserted Vietnam's right to conduct commercial exploration in areas along its continental shelf. In private conversations, Vietnamese officials do not hide their frustration and chafe at their country's relative lack of leverage, both bilaterally and through ASEAN (refs A-F). They also carefully parse U.S. statements, both public and in confidence, for the slightest nuance. Vietnam's overtures can be schizophrenic, as former Ambassador Tran Trong Khanh of the Vietnam Union of Friendship Organizations acknowledged, with Vietnam at once urging the United States to take a

harder stance and at the same time expressing the need for caution.

POPULAR FRUSTRATIONS, ANXIETY

¶ 17. (C) Vietnam's relationship with China is a vexing issue domestically, as well. The MFA's China Desk sought to downplay a recent controversy over "invasion plans" published on the Chinese web portal Sina.com and other sites, insisting that Vietnam's representations to the Chinese were not "protests" but simply "expressions of concern." Still, Hai conceded that even if the posting was the work of an isolated nationalist, Hanoi could not afford to ignore it, given the popular sensitivities involved.

¶ 18. (C) The government's apprehensions were on clear display September 14, the fiftieth anniversary of then-PM Phan Van Dong's diplomatic note to China acknowledging China's claims to the Spratly and Paracel Islands. In the days prior to the anniversary, a series of postings in Vietnam's roiling internet blog scene appeared urging students to stage a protest in front of the Chinese Embassy. (Note: A sampling, including pictures showing a student flushing the Chinese flag down a squat toilet, can be seen on the popular "Opinion" blogsite: <http://ykienblog.wordpress.com/2008.09/08> End note.) In the event, as witnessed by poloffs, a heavy policy presence at the Embassy and nearby Lenin Park likely deterred any demonstration, as did a series of arrests and preventative detentions September 10-11 (ref. G).

IMPLICATIONS FOR VIETNAM'S U.S. POLICY

¶ 19. (C) South China Sea neuralgia aside, sophisticates in Vietnam's foreign policy establishment assure us that they understand that relations with China and the United States are not a zero-sum game: Vietnam's Comprehensive Strategic Partnership with China does not impinge on relations with

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the United States, just as (they say) Vietnam welcomes our Senior Dialogue with the Chinese. Nevertheless, as several of our contacts remarked, Vietnam's strategic preoccupation with China will continue to temper Hanoi's willingness to fully engage with the United States.

¶ 10. (C) Vietnam can never completely trust China, the former editor of the army daily Quan Doi Nhan Dan, Colonel Tran Nhong, frankly acknowledged, and Hanoi is looking for ways to improve its relations with the United States. At the same time, Party leaders are reluctant to expand ties with Washington too fast, lest this destabilize relations with China, Nhong said. This hesitancy is perhaps most clearly evident in the mil-to-mil relationship -- restricting U.S. navy ship visits to one a year, for example -- but it is also a factor in our political interactions as well, Colonel Nhong noted. Both Nhong and the well-connected Chairman of InvestConsult Tran Bat cited antagonizing China as an important reason why Vietnam has been strangely resistant to expanding contact following PM Dung's July visit to Washington. "Distant water cannot put out a nearby fire," Bat noted, explaining why Vietnam will never be able to "balance" China with the United States.

COMMENT

¶ 11. (C) In light of the obvious constraints, Vietnam is managing its China policy pragmatically, avoiding serious confrontation while scoring incremental gains in areas where progress is possible. This is to be encouraged. At the same time, this pragmatism often serves to preclude rapid advances in relations with the United States. We should be aware of these considerations, which frequently

have little to do, directly, with Vietnam's attitude toward the United States. Finally, we should not lose sight of the fact that for all their historical enmity, Vietnam and China are almost unique in their attempts to balance economic liberalization with continued communist party rule. Conservative elements on both sides share a paranoia at what they perceive as U.S.-led attempts at "peaceful evolution." Long-term prospects for U.S.-Vietnam relations remain bright, but we should recognize that for Vietnam's leadership, strategic considerations -- both domestically and in its dealings with China -- will continue to dictate a cautious approach.

MICHALAK